

Message Text

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ACTION EA-10

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E.O. 11652: N/A

TAGS: SOCI, CASC, PP

SUBJECT: MISSIONARY BUSINESS ENTERPRISES TO BE TAXED

1. SUMMARY: MR. CHAN, MINISTER FOR FINANCE, ANNOUNCED IN HIS RECENT BUDGET MESSAGE TO THE HOUSE OF ASSEMBLY THAT BEGINNING IN 1978 BUSINESSES RUN BY MISSIONARIES OR LOCAL RELIGIOUS GROUPS WILL BE TAXED AT THE COMPANY RATE OF 33 1/3 PER CENT. BOTH LUTHERANS AND ROMAN CATHOLICS HAVE EXPRESSED CONCERN THAT THIS WILL RADICALLY AND NEGATIVELY EFFECT THEIR RELIGIOUS, MEDICAL AND EDUCATIONAL WORK IN PNG. END SUMMARY.

2. THE GPNG IS MOVING VERY SLOWLY ON THE ISSUE OF TAXING RELIGIOUS INSTITUTIONS OR RATHER THEIR BUSINESSES. MEMBERS OF THE HOUSE OF ASSEMBLY ARE LARGELY THE PRODUCTS OF MISSION SCHOOLS AND THEY GENERALLY REGARD THE MISSIONARIES FAVORABLY. THEIR CONCERN IS THAT CHURCH BUSINESSES WHICH ENCOMPASS SHIPPING LINES, AIR LINES, PLANTATIONS, LUMBER MILLS, ETC., HAVE AN UNFAIR ADVANTAGE WHEN COMPETING AGAINST BUSINESSES BEING TAXED.

3. A NUMBER OF AMERICAN MISSIONARIES HAVE EXPRESSED PRIVATE CONCERN AND DISAPPOINTMENT TO CONGEN OFFICERS. THEIR FEELING IS THAT ALL PROFITS HAVE BEEN REINVESTED TO HELP PAPUA NEW GUINEANS IMPROVE THEIR HEALTH, EDUCATION, AND MORAL LIVES. THEY ARE LIMITED OFFICIAL USE

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VIRTUALLY UNANIMOUS IN BELIEVING THEIR SOCIAL UTILITY SHOULD

MAKE THEM EXEMPT FROM TAXES SINCE THEY ARE DOING WORK VITAL TO THE DEVELOPMENT OF THE COUNTRY. INDEED, OF THE APPROXIMATELY 2,000 U.S. MISSIONARIES SCATTERED THROUGHOUT PNG, MOST ARE RECEIVING ONLY SUBSISTENCE SALARIES. THE LUTHERANS HAVE STATED PUBLICLY THAT IF THE EFFECTIVE RATE OF TAXATION IS 33 1/3 PER CENT THAT THEY WILL BE FORCED TO CLOSE MOST OF THEIR PRIMARY AND SECONDARY SCHOOLS IN THE HIGHLANDS. THE GOVERNMENT COULD NOT BEGIN TO STAFF ALL THESE SCHOOLS WITH ITS OWN PERSONNEL YET AND PROBABLY NOT FOR MANY YEARS TO COME.

4. IN A DISCUSSION WITH FATHER MOMIS, A CATHOLIC PRIEST AND MEMBER OF THE HOUSE OF ASSEMBLY FROM BOUGAINVILLE, HE STATED THAT THE GOVERNMENT HAD TO BEGIN REPLACING MISSIONARIES, NO MATTER HOW WELL INTENTIONED THEY WERE, IN BOTH THE MEDICAL AND EDUCATIONAL FIELDS. ALTHOUGH HE RECOGNIZED THE ANGUISH SOME MISSIONARY GROUPS WILL EXPERIENCE AS THEY ARE FORCED TO PHASE DOWN OR OUT THEIR OPERATIONS IN OTHER THAN RELIGIOUS TERMS, HE INSISTS THAT THIS IS THE DIRECTION THE GOVERNMENT MUST TAKE.

5. COMMENT: WE EXPECT THE GPNG TO BE VERY CAUTIOUS ON THIS ISSUE. IF ADVERSE REACTION IS TOO STRONG, IT WILL POSSIBLY DELAY OR NULLIFY THE PROPOSED TAX PROVISION AS THE DATE APPROACHES FOR ITS IMPLEMENTATION. ACCORDING TO A PROFESSOR AT THE UPNG, THE EFFECTIVE TAX RATE WOULD BE MUCH LESS THAN 33 1/3 PER CENT AND HE BELIEVES THE CHURCHES WILL BE ABLE TO SHOW THAT THEY HAVE LITTLE IF ANY "PROFITS" IN THE ACCEPTED SENSE. THE TAX ISSUE IS NOT AN ATTACK ON THE CHURCH, BUT MAY BE SEEN BY SOME AS SUCH. WE WILL REPORT FURTHER DEVELOPMENTS.
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